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UNCLAS ASUNCION 000786

SIPDIS

STATE FOR WHA/BSC AND EB/IFD/OIA  
STATE PASS TO USAID FOR LAC/AA  
STATE PASS TO USTR FOR SCRIN AND LYANG  
NSC FOR KIM BREIER  
TREASURY FOR OSIA MAUREEN WAFER  
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR  
COMMERCE FOR ITA SARAH COOK  
SOUTHCOM FOR POLAD DAN JOHNSON

E.O. 12958: N/A

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SUBJECT: PARAGUAY POLITICAL AND ECONOMIC UPDATE, JUNE 11-17

REF: ASUNCION 744

11. (U) Summary

-- MERCOSUR Summit to Focus on Economic Integration  
-- Flap Over U.S.-Paraguayan Military Exercises  
-- New Leaders in Congress  
-- Chavez to Address Congress but not Meet President

MERCOSUR Summit to Focus on Economic Integration

12. The 28th Mercosur Summit, focusing on economic integration and cooperation, is scheduled to take place 6/17 to 6/20 in Asuncion (ref A). Foreign Ministers will meet 6/18-6/19 before the Presidents gather on 6/20. According to the MFA, the Presidents of Argentina, Brazil, Uruguay, Chile, Ecuador, Colombia, Venezuela, Peru, and Panama will attend. Bolivia's President has not yet confirmed. President Nicanor Duarte Frutos will meet bilaterally with the Presidents of Argentina, Brazil, Chile, and Panama; Foreign Minister Leila Rachid will meet with her counterparts from Ecuador and Venezuela.

Flap Over U.S.-Paraguayan Military Exercises

13. A 6/13 article in the Argentine newspaper, El Clarin, criticizing the Paraguayan Senate's decision in May to extend immunities to participants in a variety of U.S.-Paraguayan military exercises -- scheduled to occur in the course of 18 months from July 2005 to December 2006 -- and suggesting these exercises were a harbinger to creation of a U.S. base in Paraguay, prompted significant press treatment here on the issue. On 6/14, FM Rachid and MOD Gonzalez gave a press conference defending the decision, qualifying it as consistent with GOP treatment of cooperation agreements with other countries and with Paraguay's commitments under the Rome Treaty. In the press and during the 6/16 Senate plenary, many Senators similarly defended the decision extending to U.S. participants immunities granted to administrative and technical staff at the Embassy. On 6/23, the Senate will vote on whether to grant U.S. participants permission to enter for these exercises. There has been some talk of granting permission to enter in sixth month stints or for each individual exercise versus all of the exercises covered during the entire 18 months. Post will report with an update septel.

New Leaders in Congress

14. The Chamber of Deputies elected Congressman Victor Bogado, the candidate of President Duarte's ruling Colorado (ANR) party as its new President on June 16. Bogado won his seat with support from six dissident Congressmen from the opposition Authentic Radical Liberal Party (PLRA) and one from the Country in Solidarity Party (PPS). In exchange for their support for Bogado, dissident Congressmen Luis Neuman (PLRA) and Lino Aguero (PPS) were elected as first and second Vice Presidents respectively.

Chavez to Address Congress but not Meet President

15. Senate President Miguel Carrizosa and former House President Oscar Saloman have invited Venezuelan President Chavez to address a joint session of the Paraguayan Congress on June 20 during his visit to Paraguay in connection to the Mercosur Summit. We are not aware that any other President has been invited to address the Congress. We understand